

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 USIA-06

PRS-01 /089 W

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R 251305Z FEB 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4049

INFO AMEMBASSY CARACAS

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E.O. 11652: GDS

TAGS: ENRG, PFOR, PE, VE, EMIN

SUBJECT: VENEZUELAN-PERUVIAN OIL SCHEME AND BAYOVAR

INVESTMENT

REFS: CARACAS 1884, STATE 34756, LIMA 1308, LIMA 1169

1. THE VENEZUELAN COMMERCIAL COUNSELOR NOW TELLS US THAT GOV HAS DOUBTS ABOUT THE FEASIBILITY OF REQUESTING PERU TO REPAY IN PERUVIAN OIL FIFTY PERCENT OF ITS DEBT INCURRED FROM THE PURCHASE OF VENEZUELAN OIL. HE SAID THE GOV DOES NOT BELIEVE THAT PERUVIAN PRODUCTION WILL BE SUFFICIENT IN THE NEAR TERM TO MEET THE GOV'S CONDITIONS. THEREFORE, THE GOV IS NOW CONSIDERING A LOAN ARRANGEMENT FOR THE SECOND FIFTY PERCENT. PRESUMABLY, THE FIRST FIFTY PERCENT WOULD BE PAID FOR ON CURRENT ACCOUNT, AS INDICATED IN CARACAS 1422.

2. THE COUNSELOR SAID THAT GOV AND GOP CONTINUE TO DISCUSS THE POSSIBILITY OF A JOINT VENTURE ARRANGEMENT FOR THE BAYOVAR PHOSPHATE DEVELOPMENT BUT NO ARRANGE-

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MENT HAS BEEN REACHED.

3. IN REGARD TO THE OIL SCHEME, THE VENEZUELAN HOUSING
MINISTER, DR. HECTOR HURTADO, TOLD THE PRESS IN LIMA
FRIDAY, FEBRUARY 21, THAT THE GOV HAS AGREED
TO SELL PERU 20,000 B/D TO HELP COVER PERU'S DEFICIT
DURING THE PERIOD 1975-76. HE SAID THE OIL WILL BEGIN
TO ARRIVE IN MARCH, AFTER A SALES CONTRACT IS SIGNED.
ACCORDING TO THE PRESS, HURTADO SAID THE TWO GOVERNMENTS
ARE NOW WORKING OUT THE FINAL DETAILS OF THE CONTRACT.

4. GENERAL (RET.) FERNANDEZ BACA, HEAD OF PETROPERU, TOLD THE
PRESS UPON HIS RETURN FROM CARACAS FEBRUARY 21 THAT HE WAS NOT
INFORMED ABOUT A FINAL ACCORD ON THE SALE OF 20,000 B/D
WHICH HURTADO HAD JUST ANNOUNCED TO THE PRESS.

5. COMMENT: FERNANDEZ BACA'S RELUCTANCE TO CONFIRM THE
DEAL MAY HAVE BEEN BASED ON LACK OF KNOWLEDGE, BUT MORE
LIKELY STEMS FROM PERUVIAN CONCERN ABOUT THE VENEZUELAN
TERMS FOR THE DEAL, WHATEVER THEY MAY ACTUALLY BE. IF
THE COUNSELOR'S CONTENTION ABOUT LACK OF SUFFICIENT
PERUVIAN RESERVES IS, IN FACT, THE BASIS OF THE GOV
DESIRE TO NEGOTIATE SOME OTHER KIND OF ARRANGEMENT,
PERUVIAN AWARENESS OF GOV RELUCTANCE TO ACCEPT A PAY
BACK IN OIL WOULD HAVE OBVIOUSLY RANKLED THE GOP.
FURTHER, IF THIS INFORMATION BECAME PUBLIC, IT WOULD
SERIOUSLY UNDERMINE THE GOP'S CLAIMS TO BE A NET
PETROLEUM EXPORTER IN THE NEAR FUTURE.

DEAN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, REPORTS, CREDIT AGREEMENTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA01542
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750066-0895
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750216/aaaaannj.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 CARACAS 1884, 75 STATE 34756, 75 LIMA 1308, 75 LIMA 1169
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2003 by WorrelSW>; APPROVED <20 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VENEZUELAN-PERUVIAN OIL SCHEME AND BAYOVAR INVESTMENT
TAGS: ENRG, PFOR, EMIN, PE, VE, PETROPERU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006